PART I - GENERAL DISCUSSION

A. General Discussion on the Food Industry in the Middle East
Monday 3 March, 1975

1. It was noted that the development of food-production basically is a matter of survival something which is clearly emphasized by the present world food situation with severe shortages of food in many regions. It was also noted, that the development of food production in general and food processing industries in particular also is an important mean to enhance economic growth in the developing countries. Special reference was made to the recent drastic increases in world market prices of various raw materials for food processing industries, e.g. sugar, which in many cases drastically has changed the situation for the raw material exporting countries.

2. It was emphasized that an integrated approach has to be adopted in the development of the food processing industry. Such an approach means analyzing food processing projects in the context of the whole product-flow from the production of raw materials, post-harvesting handling of the raw-materials through processing to the distribution and marketing of the end-product. An integrated approach is also called for in the analysis of each stage of food-production, e.g. in raw material production consideration has to be given to management and organization of this production, production techniques used including the need for various agricultural inputs, the market-conditions for sale of the products etc. The experience of establishing food processing industries in the countries of the region showed that those projects which failed to take into account this integrated approach to their establishment ended in difficulties.

3. In reviewing the problems faced by the food processing industry generally it was generally agreed that the inadequate supply of local raw materials constituted the major problem. This referred not only to a generally low supply but to fluctuations in the supply and quality of the raw-materials, as well. As a result many food processing industries in the region are presently working far below capacity.

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4. Apart from the need for a general development of the agricultural sector, it was noted that the inadequate supply of local raw materials for food processing has to be tackled through increased co-operation between raw-material producers (farmers) and the food processing industries. Such co-operation would include assistance to farmers in such matters as the choice of crop varieties, the application of fertilizers, post-harvesting handling of raw materials, credit facilities, etc. Furthermore, the resort to advance contracting between farmers and processing industries would ensure more steady supply of agricultural produce to the industries at established prices.

5. As to the proposition that the development of local raw materials sufficiency should precede the establishment of food processing industries, it was agreed that reliance initially on imported raw materials or semi-finished products may be necessary until such time as such sufficiency is attained in view of the fact that the development of agricultural raw materials is often a lengthy process. It was noted in this connection that the establishment of food processing industries often provided as an incentive to expand and improve local production of raw materials.

6. Specific reference was made to the problem of post-harvesting handling of agricultural products. Due to inadequate supporting facilities for such handling, including storage and transportation, waste is high and a critical deterioration of the quality of the raw materials experienced before they reach the processing units. In this context it was pointed out that for certain products, e.g. fruits and vegetables, the important market is the fresh market, giving the farmers the best prices and also being essential from a nutritional point of view. This emphasizes the need for the development of the necessary physical infrastructure for the post harvesting handling, i.e. storage and transport facilities, and adequate harvesting methods.

7. It was noted that the afore-mentioned integrated approach to the development of food production stresses the need for active Government participation in this development. This need for Government participation stems both from the need for overall development planning of food production as well as the execution of projects which cannot or are not likely to be undertaken by the private sector. This includes the development of physical and administrative infrastructure and in some cases land reclamation, manpower training, credit facilities, etc.

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8. The need for developing research centres in all aspects of the food processing industries was stressed. Specific mention was made of research facilities for developing and adapting food processing technology to local requirements as well as research facilities related to raw materials production.

9. The need for increased regional co-operation in developing the food processing industry was stressed. It was noted here that the countries of the region, as well as of the Arab world as a whole, differ significantly as regards the present stage of development of the food processing industry, the development and potential for raw-materials production as well as regards the funds available for capital investment. A need was therefore expressed for the fostering of exports of raw materials or semi finished products from countries with a potential for an agricultural surplus production to those which lack such a potential but have the capital required for establishing processing units. Steps should also be taken in order to enhance the transfer of know-how from countries with a relatively more developed food processing industry to those which are less developed in this respect. Several delegates stressed the need for studies on a regional basis of raw material potentials, processing capacities and consumption trends in order to co-ordinate the further development of the food processing industry. Reference was made to earlier and planned studies which could serve as complements to such an overall study.

10. It was pointed out that presently almost all the countries of the region where processing units are dependent on imports for most of the raw materials utilized in the three branches under review. It was therefore stated that a significant trade of such raw materials between the countries of the region was not to be expected in the immediate future. In view of this, the need to develop production of raw materials was further emphasized.

C. General meeting on Vegetable Fats and Oils [illegible] 1975

1. It was noted that the region as a whole was suffering from a shortage of raw material for vegetable oils and fats processing as well as of insufficient processing capacity to satisfy local demand. All countries with the exception of Syria are therefore largely dependent upon imported oils and fats, and processing units utilizing imported raw material. Raw material production is generally suffering from low yields and high costs.

2. High priority should therefore be given to increasing raw materials production by improving not only production methods, but also facilities for storage and transportation of raw materials. This increase in production also comprises the growing of high varieties of oil-seed and other types of raw materials to be grown. In view of the shortage of raw materials priority should be given to the use of oils and fats for edible use, while other materials being used for the production of e.g. detergents.

3. Whilst most countries of the region presently having to rely on imported oils and fats or raw materials for processing and in view of the time required to develop local raw material production, existing processing plants will for the immediate future have to rely on imported raw materials. Countries were given where reliance on locally produced raw materials, before this production had reached a sufficient level of sophistication, had resulted in disappointing results.

4. It was noted that the small [illegible] to create larger processing units and that the units existing in the region often were below or just on level with that is regarded as the minimum economic size. Calculations made by UNIDO showed that the capital investment/ton decreased significantly with the scale of operations. It was therefore recommended that processing be concentrated in larger units. In view of this it was recommended that the smaller countries of the region should resolve to some form of cooperation in the production of vegetable fats and oils in order to achieve economical production. The need to upgrade technology in order to raise productivity and quality, better utilize by-products and give due consideration to environmental aspects was also stressed.

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1. Considering the future native give, that the [illegible] is losing on the choice of the site of the plant, it was noted that the present [illegible] vegetable fats and oils is relatively low in comparison with [illegible] 'developed' countries and that therefore the areas will be subject to significantly in the future. Where? (World - report)

2. The fact that the vegetable fats and oils industry is not only to produce oil for oils but to provide and animal feed is well known to [illegible] in view of the [illegible] of [illegible] vegetable oil and the [illegible] (e.g. cake-oil or oil-cake, there is the latter case a by-product will be animal feed). It was also noted that [illegible] policies should reflect these considerations with regard to the vegetable oils and fats industry. In this for instance it may [illegible] oil-cake or a different product [illegible] by the [illegible] of [illegible]-delfin [illegible] soya bean.

3. The advantage of using the traditional village [illegible] in the countries of the region for vegetable oils and fats processing was considered. The availability of seeds, [illegible] will be given the size of the substantial increase in production of [illegible] in South-East Asia and the traditional characteristic of such [illegible] in [illegible] source of protein both for human consumption and animal feed. The utilization of one of the main [illegible], cotton seed, is limited by the [illegible] of cotton's primary crop, the textile industry. Olive oil has a [illegible] position in some of the countries of the region, notably in the Mediterranean part, and encouragement of the production of olive is recommended because of its [illegible] and the labour intensive nature of its processing.

3. The traditional [illegible] in Burma, the use of [illegible] as [illegible] explained. The choice will therefore be a function of [illegible] and traditional value [illegible] in each case. The possibilities of upgrading the traditional [illegible] village [illegible] and [illegible] also cited in the [illegible] [illegible] in this context.

4. In the discussion it was pointed out that [illegible] in the production of animal feed-stuff is important. A vegetable oil and fat

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processing. The region is presently largely dependent on imports of feedstuffs and it was stressed that the aim should be to achieve a much lesser dependence on a commodity with such a strategic importance for production of essential food products such as beef and milk. It was also noted that the petroleum resources in the region provided a promising resource of producing animal feed through the use of urea as liquid supplement to propylene glycol to replace molasses.

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C. General discussion on Vegetables and Fruits Canning and Preservation. Thursday 7 March 1974

1. Although production and processing of fruits and vegetables are of a considerable size in some countries of the region, the potentials for such production and processing are far from being fully utilized. For many fruits and vegetables it should be possible to reach self sufficiency or even a surplus for individual countries and in respect to some products for the region as a whole. Prices of imported products can be expected to keep increasing due to increased packaging and handling charges.

2. As in the case of other branches of the food processing branches in the region, one of the basic problems in this branch is the inadequacy and fluctuation of local raw materials both with regard to quantity and quality of supply. Furthermore the use of varieties not suited for processing and high prices as raw materials are often obtained on the retail market are detrimental to the industry.

3. Among the reasons for the inadequate supply of raw materials the following were mentioned: the generally low yield in raw material production due to the non-modern production techniques employed, short seasons (mid-summer) in combination with high consumer demand for fresh fruits and vegetables left a very little surplus for processing and forced the processing industries to purchase raw materials on the retail market on a day-to-day basis, lack of adequate efforts to introduce varieties suited for processing and inadequate facilities for post-harvest handling. It was also pointed out that many of these problems derive from the often insufficient cooperation between farmers and processing industries and by the lack of raw materials specifications and quality control..

4. The question of raw materials is more complicated in the case of fruits and vegetables canning and preservation than in any other food processing industry. This is due to the fact that: a) the canning and preservation are more dependent on readily available local raw materials b) proper post harvesting facilities and techniques are of great ...

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utmost importance and c) competition in the supply of raw materials from the fresh produce market.

5. In view of the above it was suggested that actions had to be taken in the following respects: a) general improvement of agricultural production including the reclamation of additional arable land; b) introduction of fruits and vegetables suited for processing; c) assistance to farmers through advance contracts and technical advice and d) analysis and improvement of post harvesting facilities and techniques.

6. A problem facing locally produced canned vegetables and fruits is quality and packaging which sometimes do not meet the requirements of international market standards. The need for the standardization of packaging in the Arab countries was also considered desirable. In this connection the inadequacy of existing facilities for local production of packaging material and containers constituted a hindrance to the development of fruits and vegetables processing industries.

7. In view of the drastic increases in transport and freight costs and in view of the often high water content in the canned products it was proposed that one way of regional cooperation could be the production of concentrates in the countries having raw materials for reprocessing in countries lacking raw materials.

8. Many delegates stressed the need for a market study covering both the Arab Market and the export market. It was pointed out in this connection that the readiness in many project studies undertaken in the past lies in inadequate assessment of the potential market. However, it was also pointed out that in order to undertake such a market survey efforts had to be directed towards determining exactly what products were being marketed, i.e. analysis of the potential products and their quality and prices. The cooperation of the relevant UN and Arab League organizations was called for in conducting such a market survey. Mention was made by the delegate of the World Bank of a study of the European and Middle East markets planned by the Bank.

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9. Suggestions were also made concerning the undertaking of the following studies: a) Present rates of production b) The possibility of all year round employment of processing units c) The possibility of self-sufficiency d) Prices to the raw material producer and e) Factory costs.

10. The existence of rapidly expanding markets which had been largely unexplored by the Middle East producers was pointed out. Specific reference was made to the rapidly expanding West-European market for citrus fruit juices. Reference was also made to the hardening competition in certain export markets for citrus fruits due to overproduction in the Mediterranean countries.

11. The importance of increased exports of processed fruits and vegetables on the development of the raw materials production was emphasized.

12. The need for research and training facilities relevant to the development of the vegetable and fruit processing branch was considered essential. Such facilities may have to be provided on a regional level as many of the countries of the region cannot support the establishment of these facilities on a national level.

D. General Discussion on Sugar Industry, Tuesday 4 March 1975

1. It was noted that the raw material production and the processing capacity of the region as a whole as well as in each individual country fell far short of satisfying local demand. Presently about half of the local consumption is imported, i.e. approximately 1,000,000 tons/year, and the reliance on import is even higher if import of raw sugar for refining is considered.

2. In view of the present situation on the world sugar market characterized by a shortage and hence high and rapidly increasing prices, a situation which can be expected to prevail for a considerable time, it was agreed that every effort should be devoted towards increasing raw materials production and processing capacity.

3. It was noted that the raw material producing countries of the region had a potential for substantially increased production. Furthermore it was pointed out that if some of the sugar cane producing Arab countries, e.g. Somalia and Sudan, outside the ECWA region were taken into consideration the potential was even greater. Studies indicate that the latter group of countries may reach a production of 7.5 million tons/year of cane sugar at the end of the century.

4. In examining the raw material production it was stated the yield is generally low, sugar beet quality not sufficient and the supply unpredictable. As underlying reasons for these conditions were mentioned the inadequate agricultural production methods, the lack of proper post harvesting facilities and the insufficient co-operation between raw material producers and the processing units. It was agreed that an increase in raw materials production had to be achieved both through an increased productivity as well as through the increase in production areas. Studies would have to be undertaken concerning soils, water supply and suitable varieties of crops.

5. The question of the use of sugar beet versus sugar cane was brought up. It was noted that no general recommendation could be given concerning which of these two crops to use, but that this had to be analysed on a case-by-case basis.

6. It was noted that a way to increase the amount of sugar available on the consumer market would be to find substitute sweeteners for the various food processing industries presumably using sugar as a raw material.

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7. It was noted that although local sugar production fell short of local demand, many processing units were not working at full capacity due to inadequate co-ordination between raw materials producers and processing plants.

8. It was agreed that there was a general need for up-grading the level of technology used as well as quality control in order to improve the sugar quality. It was further noted that sugar refineries in the region generally was of a small size compared to what could be regarded as a minimum economic size.

9. In the above context it was pointed out that a better profitability could be achieved through a better utilization of by-products. Reference was made to the use of molasses for production of yeast, alcohol and citric acid as well as for the use of bagasse for production of paper for packaging material or for production of animal feed. The importance of the latter use was stressed in view of the present reliance on imported animal feedstuffs.

10. The need for a study of the future market and production potentials for sugar within the Arab countries was stressed.

11. It was pointed out that in the countries of the region where raw materials were not available but which had a surplus of investment funds the feasibility of establishing processing units for refining of raw sugar should be investigated.

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